

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

City of Detroit
CITY COUNCIL
FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncl.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Ron Kagan, Director
Detroit Zoological Society

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 28, 2011

RE: **2011-2012 Budget Analysis**

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2011-2012 Fiscal Year.

We would then appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Thomas Lijana, Finance Director
Floyd Stanley, Budget Deputy Director
Renee Short, Budget Department Team Leader
Denise Gardner, Mayor's Office

Detroit Zoological Institute

FY 2011-2012 Budget Analysis by the Fiscal Division

Summary

In March 2006, the City entered into an agreement with the Detroit Zoological Society (DZS) to manage the operations of the Detroit Zoological Institute (DZI), which includes the Detroit Zoo and the Belle Isle Nature Zoo, through June 30, 2020, with an option to renew for successive ten-year terms. The agreement provides for the City to pay \$5.0 million of capital funds within 15 days of the State of Michigan's appropriation of \$4.0 million, and an additional \$5.0 million in fiscal year 2006-2007. The City also has agreed to pay an operating subsidy for insurance and security costs, totaling \$900,000 per year, for the first two years of the agreement. For the third and successive years of the agreement, pursuant to the City's budget process, the parties to the agreement shall agree on an amount for insurance costs and the Society shall approach the City with a request for an appropriation to cover security costs.

The operating subsidy is reflected in Agency 35 – Non-Departmental.

Significant Changes in Funding by Appropriation

The Mayor's 2011-2012 Proposed Budget for the DZI does not provide funding for capital improvements. The operational subsidy for the DZI is included in Non-Departmental, as follows:

<u>Appro.</u>	<u>Program</u>	
12161	350095 Zoo Operations	The Mayor's 2011-2012 Proposed Budget includes a \$765,000 operating subsidy for insurance and security costs, which is the amount for the current year.

Significant Revenue Changes

Under the agreement, all revenues generated by the DZI are transferred to the DZS.

Issues and Questions

1. Will the Detroit Zoological Society implement new strategies in fiscal year 2011-2012 to improve its revenues and to reduce its operating costs? Please explain.
2. Financial statements and other financial information of the Detroit Zoological Society for the two years ended March 31 of 2010 and 2009 show a decline in revenue of \$678,588 from other special events. Does the society expect to increase the number of special events at the Zoo in fiscal year 2011-2012?

3. In fiscal year 2009-2010, the Society received \$14,589,369 under a county authority service agreement. Will the agreement be in effect for fiscal year 2011-2012? If so, what amount does the society expect to earn under the agreement? Since this is the Society's largest source of revenue, according to financial statements and other financial information, if it is not received in fiscal year 2011-2012, what will the Society do to compensate for the loss?
4. Other program services expenses increased \$923,112 (78.3%) in fiscal year 2009-2010 compared to 2008-2009, what caused these expenses to rise so high?
5. Management and administrative expenses also increased \$1,153,235 (37.3%), per financial statements and other financial information of the Detroit Zoological Society. For fiscal year 2009-2010, these expenses totaled \$4,241,702. What amount is estimated for fiscal year 2011-2012? Why have these expenses increased?